

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

FINANCIAL STATEMENT

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Morgan County Agricultural Society
P.O. Box 594
McConnelsville, Ohio 43756

We have reviewed the *Independent Auditor's Report* of the Morgan County Agricultural Society, prepared by Julian & Grube, Inc., for the audit period December 1, 2016 through November 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Morgan County Agricultural Society is responsible for compliance with these laws and regulations

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 22, 2019

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**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Morgan County Agricultural Society
Morgan County
P.O. Box 594
McConnelsville, Ohio 43756

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of the Morgan County Agricultural Society, Morgan County, Ohio, as of and for the fiscal year ended November 30, 2017.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Morgan County Agricultural Society's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Morgan County Agricultural Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse and qualified audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the Morgan County Agricultural Society prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Morgan County Agricultural Society does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Morgan County Agricultural Society as of November 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended.

Basis for Additional Opinion Qualification

Unrestricted receipts included \$1,387, restricted support receipts included \$376,514, admissions receipts included \$2,319 and sales receipts included \$5,800, totaling \$386,020 or 43%. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as unrestricted support, restricted support, admissions and sales. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statement referred to above presents fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Morgan County Agricultural Society, Morgan County, Ohio, as of November 30, 2017, for the fiscal year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2019, on our consideration of the Morgan County Agricultural Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Morgan County Agricultural Society's internal control over financial reporting and compliance.



Julian & Grube, Inc.
August 9, 2019

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGE IN FUND BALANCE (CASH BASIS)
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017**

Operating Receipts:

Admissions	\$106,582
Privilege Fees	14,555
Sales	48,440
Racing Fees & Charges	17,865
Fees	6,610
Rentals	61,672
Other	18,692
	274,416
Total Operating Receipts	274,416

Operating Disbursements:

Wages and Benefits (Contract)	6,200
Administrative	5,210
Race Supplies & Materials	3,626
Supplies & Materials	16,496
Utilities	48,349
Contract Services	44,096
Racing	79,130
Professional Services	27,497
Property Services	12,840
Advertising & Communication	4,810
Repairs	12,042
Insurance	11,173
Rent-Lease Expense	6,610
Capital Outlay	566,280
Senior Fair & Open Class	4,607
Contest Expense	3,503
Junior Fair Expense	2,730
Other Fair Expense	24,345
Other Miscellaneous Expenses	28,680
	908,224
Total Operating Disbursements	908,224

Excess (Deficiency) of Operating Receipts	
Over (Under) Operating Disbursements	(633,808)

Non-Operating Receipts (Disbursements):

State Support	74,880
Restricted Support	537,842
Unrestricted Support	5,429
Debt Proceeds	7,500
Interest	161
Other Non-Operating Receipts	150
Debt Service	(58,051)
	567,911
Net Non-Operating Receipts (Disbursements)	567,911

Excess (Deficiency) of Receipts Over (Under) Disbursements	(65,897)
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Cash Balance, Beginning of Year	76,828
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Cash Balance, End of Year	\$10,931
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The notes to the financial statement are an integral part of this statement.

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Morgan County Agricultural Society, Morgan County (the "Society"), as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1851 to operate an annual agricultural fair. The Society sponsors the week-long Morgan County Fair during September. Morgan County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Morgan County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year-round activities at the fairgrounds include facility rental, track and stall rental and community events, including horse shows sponsored by the Arabian Horse Association of Ohio and fundraisers sponsored by the Morgan County Chamber of Commerce. The reporting entity does not include any other activities or entities of Morgan County, Ohio.

Notes 4 and 5, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

B. Basis of Presentation

The Society's financial statement consists of a statement of receipts, disbursements and change in fund balance (regulatory cash basis).

C. Accounting Basis

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). The basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

D. Property, Plant and Equipment

The Society records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statement does not report these items as assets.

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509(a). Contributions to the Society are deductible per Section 170(b)(1)(A)(vi). Management is unaware of any actions or events that could jeopardize the Society's tax status.

F. Race Purse

Harness stake races are held during the Morgan County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Racing Fees and Charges to winning horses.

Sustaining and Entry Fees

Horse owners and the Southern Valley Colt Circuit pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement reports these fees as Racing Fees and Charges.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 6 for additional information.

G. Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the "Commission") is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The Commission is determined by applying a statutory percentage to the total amount bet and is reflected net in the accompanying financial statement as Racing Disbursements. See Note 6 for additional information.

H. Deposits and Investments

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits as of fiscal year ended November 30, 2017 was:

	2017
Demand Deposits	\$ 10,931

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

NOTE 3 - RISK MANAGEMENT

The Morgan County Commissioners provide general insurance coverage for all the buildings on the Morgan County Fairgrounds pursuant to Ohio Revised Code Section 1711.24.

The Society insures against injuries through the Ohio Bureau of Worker’s Compensation.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

NOTE 3 - RISK MANAGEMENT - (Continued)

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Society's share of these unpaid claims collectible in future years is approximately \$6,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2017 Contributions to PEP</u>
\$9,480

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 4 - JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Morgan County Fair. The Society disbursed \$2,730 in 2017 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Expense. The Junior Fair Board accounts for its activities separately. This accompanying financial statement does not include this activity.

The Junior Fair Board's financial activity for the fiscal year ended November 30, 2017 follows:

	2017
Beginning Cash Balance	\$ 1,112
Receipts	3,363
Disbursements	(3,218)
Ending Cash Balance	\$ 1,257

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

NOTE 5 - JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Morgan County Fair auction. A commission of 3% on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities.

The Junior Livestock Committee's financial activity for the year ended November 30, 2017 follows:

	2017
Beginning Cash Balance	\$ 41,675
Receipts	341,391
Disbursements	(335,530)
Ending Cash Balance	\$ 47,536

NOTE 6 - HORSE RACING

State Support Portion of Purse

The financial statement reports Ohio Fairs money, received to supplement purse for the fiscal year ended November 30, 2017, was \$7,967, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) (net of expenses) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Racing Disbursements. State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Racing Disbursements, and the amount remaining is the Society's net portion.

	2017
Total Amount Bet (Handle)	\$ 4,665
Less: Payoff to Bettors	(3,743)
Parimutuel Wagering Commission	922
Tote Service Set Up Fee	(1,200)
State Tax	(110)
Society Portion	\$ (388)

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

NOTE 7 - DEBT

The Society maintains an available line of credit which was obtained from the Citizens National Bank of McConnellsville, Ohio. The Society's credit limit on this line of credit is \$30,000. There was no outstanding balance on this line of credit at November 30, 2017.

Beginning in 2015, the Society undertook a new barn project. This project was primarily privately funded by an anonymous donor, with additional contributions made by the Society. An unknown portion of the privately funded monies were agreed to by the Society to be repaid. The terms and amounts are unable to be determined, as there is no formal repayment agreement between the Society and the private investors.

NOTE 8 - NONCOMPLIANCE

1. The Society was noncompliant with Ohio Administrative Code Sections 117-2-01 and 117-2-02.
2. The Society was noncompliant with Ohio Revised Code Section 9.38.

NOTE 9 - CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Society are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Morgan County Agricultural Society
Morgan County
P.O. Box 594
McConnelsville, Ohio 43756

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the cash balances, receipts and disbursements of the Morgan County Agricultural Society, Morgan County, Ohio, as of and for the fiscal year ended November 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated August 9, 2019, wherein we noted the Morgan County Agricultural Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to a lack of sufficient audit evidence supporting the amounts for unrestricted, restricted, admissions and sales receipts for the fiscal year ended November 30, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Morgan County Agricultural Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statement, but not to the extent necessary to opine on the effectiveness of the Morgan County Agricultural Society's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Morgan County Agricultural Society's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider material weaknesses. We consider findings 2017-001 through 2017-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Morgan County Agricultural Society's financial statement is free of material misstatements, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2017-002 and 2017-004.

Morgan County Agricultural Society's Responses to Findings

The Morgan County Agricultural Society's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not subject the Morgan County Agricultural Society's responses to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Morgan County Agricultural Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Morgan County Agricultural Society's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
August 9, 2019

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2017-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

Certain adjustments were made to the financial statement and related notes, to properly state financial statement amounts.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present control and monitoring system does not include a second review of the financial statement to ensure the information accurately portrays the activities of the Society.

We recommend the Society consult with their auditors, the Uniform System of Accounting for Agricultural Societies Manual and/or the Auditor of State to help ensure accurate financial reporting.

Client Response: The Treasurer will work to provide a sound fiscal environment for the Society and has implemented additional policies and procedures to help with financial statement presentation.

Finding Number	2017-002
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Material Weakness/Noncompliance - Internal Controls/Accounting and Reporting Records

Ohio Administrative Code Sections 117-2-01 Internal Controls and 117-2-02 Accounting and Reporting Records requires certain explicit areas be met when a public office designs and operates its internal control to provide reasonable assurance over certain areas related to operations and to maintain adequate documentation to support amounts recorded in the accounting system.

The Society maintains internal controls; however, deficiencies were noted in certain controls in the following areas, resulting in the following matters:

Bank Accounts: The Society excluded a savings account and its activity from its accounting records.

Receipts: Certain receipts pertaining to the savings account, which account for the building of a new barn (privately and publicly funded), excluded transactional information. \$360,389 of receipts did not flow through this bank account, but consisted of private donations, the Society general funds, and fundraisers pertaining to the raising of funds to build a new barn on the fairgrounds. These transactions took place at the bank counter. The receipts lacked supporting documentation. Further, an additional amount of \$25,631 of receipts, which were evidenced by bank statements, lacked supporting documentation. Additionally, certain fees (camping) excluded support such as a camping contract; however, these receipts were supported by the Society's bank verifying there were checks written by campers (\$6,487).

MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2017-002 - (Continued)

Disbursements: Certain disbursements pertaining to the savings account, which accounted for the building of a new barn (privately and publicly funded), excluded transactional information. \$360,389 of disbursements did not flow through this bank account, but took place at the bank counter and were used for making payments related to the building of the barn. Certain disbursements from both the savings account and the Society's general account lacked initial supporting documentation. These disbursements were supported by either a canceled bank check and/or invoices obtained subsequent to the time of payment.

Fundraisers: The Society operates fundraisers throughout the year to help support operations. These fundraisers which are recorded in the financial statements as sales, lacked supporting documentation to substantiate amounts deposited. The Society was also unable to provide an approved budget/actual fundraising forms detailing the related transactions of the fundraisers.

Transaction Audit Trail: Both receipts and disbursements lacked an easily auditable trail. While the Society does account for its transactions (with the exception of the noted barn savings account) in an accounting system (Quickbooks), the Society records lacked organization of the supporting documents to help support the various accounting functions.

Lack of an organized accounting system with organized supporting documents easy to obtain puts the Society at risk of misuse of funds, and/or jeopardizes the Society's ability to ensure all organizational activities/monies are being deposited into the Society's bank accounts.

We recommend the Society develop additional internal controls to help ensure all payments have applicable supporting documents at time of payment and such support be maintained with the voucher. We recommend all fundraisers be approved by the Board and be evidenced in Board Minutes, as well as completed budget and actual forms to account for the fundraiser transactions.

Finally, we recommend that procedures be implemented to ensure each deposit has supporting documentation such as a pre-numbered receipt, evidence of a contract (i.e. rentals, privilege fees, etc.) or other pertinent data.

Client Response: The Society has had a Fiscal Officer change. These items of concern will be addressed by the Board as soon as possible.

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2017-003

Material Weakness - Cash Reconciliations

Strong monitoring practices of the Society's financial activities are the responsibility of the Treasurer and Board of Directors and are essential to help ensure proper financial reporting. A bank to book reconciliation should be performed monthly for all monies held by the Society. Reconciliations should include all bank accounts and book balances. Additionally, the Treasurer and Board of Directors should review the bank to book reconciliations timely and regular financial reports of the Society's financial activity and evidence such in the minutes of record.

The Society maintained a business savings account which accounted for a portion of the activity of the building of a new barn. Its related activity was not included in the Society's accounting system or on their annual financial report. Additionally, certain months of the Society's regular bank account lacked completed reconciliations and/or supporting documentation for items of variance.

As a result, inaccurate financial reports could be provided to the Board of Directors which could skew management decisions or could lead to errors or irregularities occurring that could go undetected by management.

We recommend the Society reconcile all bank accounts to the Quickbooks accounting system completely and on a timely basis. In this process, all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected in the Society's ledgers following the completion, of the reconciliations. As an additional monitoring control, we recommend the monthly bank reconciliations be reviewed and approved by the Board of Directors and evidence of all reviews and approvals be thoroughly documented in the Board meeting minutes or in the form of a review log.

Client Response: The regular checking account was properly reconciled in 2018 subsequent a change in Secretary/Treasurer. The savings account (barn activity) was closed at the end of fiscal year 2017. Monthly reconciliations are being completed with supporting documentation in 2018 and 2019.

MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2017-004

Noncompliance

Ohio Revised Code Section 9.38 provides that public money must be deposited with the Treasurer or with the designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

The Society held funds of varying amounts longer than the allowable number of business days without depositing them in accordance with the Ohio Revised Code Section 9.38.

As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for disbursement or investment. Timely deposits also reduce the risk of receipts being lost, misappropriated or improperly posted and going undetected by management.

We recommend the Society monitor collections and ensure that monies are deposited in accordance with state statute. This will improve cash flow and reduce the risk of loss. Further guidance regarding specific dollar amounts may be found in the Ohio Compliance Supplement.

Client Response: The Society is attempting to deposit funds timely.

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2017**

<u>Finding Number</u>	<u>Year Initially Occurred</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2016-001	2010	<u>Material Weakness - Accounting Records</u> – In part, the local office should maintain adequate documentation to support amounts recorded in its Account Record Ledgers. The Society did not maintain proper records for cash receipts during fiscal year 2016.	Not Corrected	Repeated as finding 2017-002
2016-002	2015	<u>Material Weakness - Financial Statement Presentation</u> - The Presentation of materially correct financial statements and the related footnotes is the responsibility of management and is an important part of the Society’s overall purpose. Financial reporting requires internal controls to help ensure the accuracy of the activity reported. Several adjustments were posted to the audited financial statements to make them materially correct.	Not Corrected	Repeated as finding 2017-001
2016-003	2015	<u>Material Weakness/Noncompliance - Incomplete Hinkle System Submission</u> - The Society did not comply with Ohio Revised Code Section 117.38, which outlines the requirements for public offices to file complete and accurate financial statements and related notes, timely.	Corrected	N/A
2016-004	2015	<u>Material Weakness - Cash Reconciliation</u> - Bank-to-Book reconciliations should include all accounts held by the Society. All activity should be reported in the Society’s accounting system. The Society did perform bank-to-book reconciliations throughout 2016; however, the Society’s business savings account (barn account), and its related activity was not included within the accounting system.	Not Corrected	Repeated as finding 2017-003

OHIO AUDITOR OF STATE KEITH FABER



MORGAN COUNTY AGRICULTURAL SOCIETY

MORGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2019**